

## **Internal Controls Considerations/Improvements**

Internal Controls - As a result of any operational or form errors involving plan administration, has there been any modification of practices or procedures and/or modification or improvements in the area of Internal Controls?

EP Examiners will often ask a series of questions early in the examination process, generally during one of the initial interviews, relating to plan failures. Consider the responses to the following questions. The Service will be particularly interested in the answer to item #6 below related to any subsequent improvements or enhancements made in selected Internal Controls and/or practices or procedures to preclude similar errors in the future. Questions asked could include:

1. What procedures or checks and balances do you have in place to identify operational failures?
2. Do you know of any operational or form failures with the plan?
3. What are the failures and how many years did it occur?
4. Have the failures been corrected and how were they corrected?
5. What was the reason for the failures?
6. Was correction considered for all years (how many years were reviewed)?
7. What practices/procedures were previously in-place and what new procedures have been implemented so future failures don't occur?
8. Did you use the current EPCRS (Rev. Proc. 2008-50) to assist in determining was a Self-correctable error?

Depending on your responses to the above questions, particularly relating to multiple failures, severity of the failures and the extent and methodology used for correction, the Service will be particularly interested in your responses when determining whether any sanctions are appropriate, and if yes, the extent of the negotiated sanctions. In addition, the examiner will want to know whether any enhancements were made in selected Internal Controls and/or practices and procedures to preclude these same types of errors in future years.